



Corporate Plan 2020–21

ARTC

Australian
Rail Track
Corporation

ABN 75 081 455 754
11 Sir Donald Bradman Drive
Keswick Terminal, SA 5035



OUR NETWORK CONNECTS CAPITAL CITIES,
REGIONAL CENTRES, MINING PRECINCTS AND
MAJOR PORTS WITH THE INDUSTRIES AND
MARKETS THAT DRIVE AUSTRALIA'S ECONOMY.

ARTC's Statement of Corporate Intent is prepared annually as a summary of ARTC's Corporate Plan, which is prepared for paragraph 95(1) of the *Public Governance, Performance and Accountability Act 2013*. This document has been prepared for the 2020–21 financial year and covers the reporting period 2020–21 to 2025–26. No other legislation has been identified as being specifically applicable to the preparation of ARTC's Statement of Corporate Intent and Corporate Plan. ARTC does not have any community service obligations and has not received any Ministerial directions.

CONTENTS

| | |
|--|-----------|
| Chairman's Message | 2 |
| Introduction | 3 |
| About Us | 4 |
| Facts at a Glance | 6 |
| Values | 8 |
| Plan on a Page | 10 |
| Key Performance Indicators | 12 |
| Business Environment | 14 |
| Strategic Objectives | 18 |
| An uncompromising commitment to safety | 20 |
| Exceeding our customers' expectations and promoting greater use of rail | 20 |
| Building Inland Rail and other projects efficiently, collaboratively and maximising the benefits to the Australian economy | 30 |
| Organisational Capability | 35 |

CHAIRMAN'S MESSAGE



The Australian Rail Track Corporation (ARTC) is one of Australia's largest rail network owners and managers.

We maintain and operate 8,500km of the national rail network across five states, managing the transit of around 450 trains per day, including passenger and freight trains across New South Wales, Victoria, Queensland, South Australia and Western Australia.

ARTC is owned by the Federal Government and has been tasked with increasing the volume of freight on rail in Australia to help meet the nation's future freight demands.

It is a challenge we have embraced, which has never been more evident than during the coronavirus pandemic.

We have stepped up as an essential service provider to play our part in maintaining Australia's supply chain to keep our economy moving, and we will continue to do this in line with our overarching purpose to improve Australia's productivity by making rail the mode of choice in the national logistics chain.

This requires us to continually review, develop and enhance our organisational capabilities. It also requires us to keep modernising our network through world-class projects like Inland Rail, and to keep innovating our systems through ground-breaking initiatives like our Advanced Train Management System (ATMS), which is a genuine game-changer for the rail industry.

It also means we must remain resilient. The horrific bushfires that recently ravaged our country, the unprecedented disruption caused by COVID-19, and the tragic train derailment near Wallan have been devastating for us all.

While there will no doubt be more challenges ahead, we look to the future with great optimism and a determination to succeed in accordance with our three core objectives as a company:

- An uncompromising commitment to safety;
- Exceeding our customers' expectations and promoting greater use of rail; and
- Building Inland Rail and other projects efficiently, collaboratively and maximising the benefits to the Australian economy.

Over the coming year, we will be driven by these goals, which we will achieve by continuing to foster an engaged and inclusive workforce; by further bolstering our processes and technology; and by adding greater value to our customers and stakeholders, including the local communities in which we operate across the nation.

Regards,

A handwritten signature in blue ink, appearing to read 'Warren Truss'.

The Hon Warren Truss AC
Chairman



INTRODUCTION

ABOUT ARTC

Our company, the Australian Rail Track Corporation (ARTC), was created as a result of the Commonwealth and mainland State Governments' Intergovernmental Agreement in 1997 for the establishment of a 'one-stop shop' for rail operators seeking access to the interstate standard gauge rail network between Brisbane and Perth.

Our principle business is the control and management of mainline rail networks used by freight and (non-electrified) passenger services.

We are a company incorporated under the Corporations Act 2001 and a Government Business Enterprise (GBE) as prescribed under the Public Governance, Performance and Accountability (PGPA) Act 2013.

Our shares are owned by the Commonwealth of Australia, which is represented by the Minister for Infrastructure, Transport and Regional Development, and the Minister for Finance.

We are governed by a Board of Directors appointed by our Shareholder Ministers.

OBJECTS AND POWERS

Our Constitution sets out the objects for which the company was established. Any activities that expand beyond the existing network or into new functions are to be agreed with our Shareholders in order to comply with the objectives outlined in our Constitution (clause 2.1) and the Commercial Freedoms Framework.

We are precluded from operating freight or passenger services for reward.

INLAND RAIL

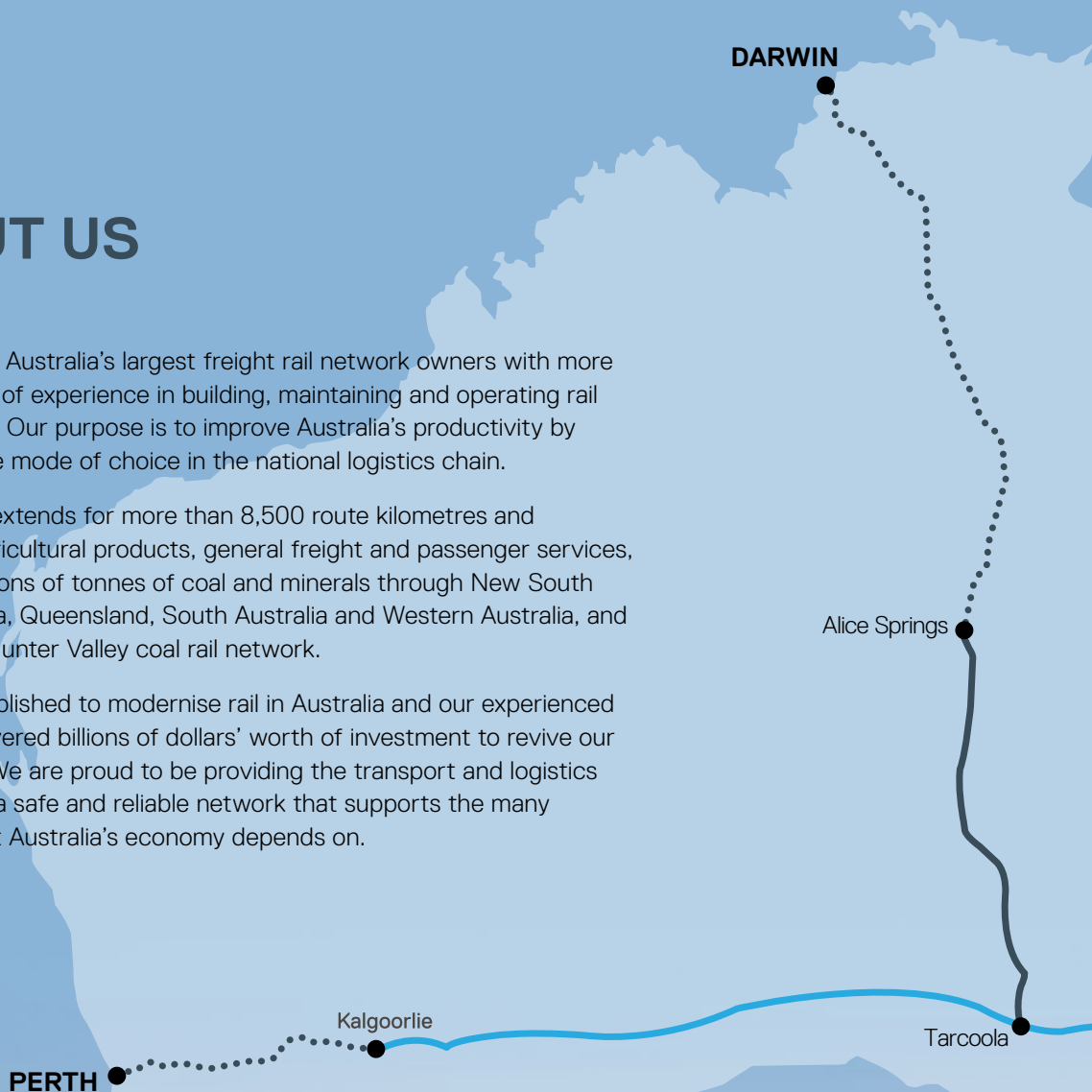
In 2017, we were tasked by the Australian Government to deliver Inland Rail, which provides a direct, high-performance freight rail corridor between Melbourne and Brisbane, as well as a new freight corridor between Brisbane and Perth (via Parkes). Over the last three years we have progressed our fieldwork across the alignment, which has informed the engineering and construction planning across each of the 13 project stages. In 2020 construction of the first project stage, Parkes to Narramine, was completed and the second project stage, Narrabri to North Star, commenced. Detailed reference designs are being completed and procurement cost information is being collected from the market for the remaining Inland Rail project stages. The full extent of environmental approval conditions will be applied to final designs. Based on the current reference design, in December 2020 the Australian Government committed up to \$14.5 billion in equity for ARTC towards the delivery of Inland Rail. The **Inland Rail website** is regularly updated and provides the most current information. To support delivery, we have agreed on a governance structure with our Shareholder departments that outlines the expectations of ARTC in relation to project delivery and Shareholder commitments to financing the project.

ABOUT US

We are one of Australia's largest freight rail network owners with more than 20 years of experience in building, maintaining and operating rail infrastructure. Our purpose is to improve Australia's productivity by making rail the mode of choice in the national logistics chain.

Our network extends for more than 8,500 route kilometres and transports agricultural products, general freight and passenger services, as well as millions of tonnes of coal and minerals through New South Wales, Victoria, Queensland, South Australia and Western Australia, and includes the Hunter Valley coal rail network.

We were established to modernise rail in Australia and our experienced team has delivered billions of dollars' worth of investment to revive our rail network. We are proud to be providing the transport and logistics industry with a safe and reliable network that supports the many industries that Australia's economy depends on.



INLAND RAIL WILL BE A NEW 1,700KM FREIGHT RAIL LINE THROUGH REGIONAL AUSTRALIA, ENABLING A MELBOURNE – BRISBANE TRANSIT TIME OF LESS THAN 24 HOURS.

The role of ARTC

is to provide efficient and seamless access to the rail network by:

- Operating on sound commercial principles
- Growing the volume of freight on rail
- Improving rail infrastructure through better asset management and a program of commercial and grant funded investment
- Promoting operational efficiency and uniformity on the rail network



ARTC Track

Inland Rail Route

Main Office

Network Control Centre

Alice Springs to Tarcoola: owned by ARTC but is on long-term lease arrangements

Interstate Rail Network (other owners)

FACTS AT A GLANCE



We are one of the largest freight rail network owners in the country



We manage over **8,500km** of standard gauge track



We maintain our network out of **27 Provisioning Centres** based in regional and urban areas



We've invested **over \$4.7 billion** in the interstate network over the past 15 years and over **\$2.5 billion** in the Hunter Valley



Around **160 million** tonnes of export coal is transported by our coal customers each year on the Hunter Valley network



Our customers transport over **\$14 billion** worth of goods across our interstate network every year



We employ more than
1,800 people



We manage the transit of around
450 freight
and passenger
trains per day on
our network



We have
six main offices
– Adelaide (head
office), Brisbane,
Newcastle,
Melbourne, Sydney,
and Wagga Wagga



The Australian
Government has
committed up to
\$14.5 billion
in equity for ARTC,
enabling us to deliver
Inland Rail



Inland Rail will
be approximately
1,700km long
and enable a
24 hour transit
between Melbourne
and Brisbane



Inland Rail is the
largest freight rail
project in Australia,
crossing regional
communities and
involving the Australian
Government, three
state governments,
and their agencies

ARTC

VALUES

We act with integrity and we're committed to the success of our customers, stakeholders and employees.

Our values drive our decisions and guide our behaviour – they are key to achieving our company purpose.



NO HARM

In our world, safety is everything. We care about people, the environment and communities. It doesn't matter how big or small, doing things safely means doing things right.

- ✓ We take care
- ✓ We look out for each other
- ✓ We find safe ways



FUTURE THINKING

Future thinking is in our DNA. It's how we innovate, change the game and break through challenges and barriers. We're leaders who think differently; curious and skilful, we challenge the status quo.

- ✓ We find solutions
- ✓ We embrace excellence
- ✓ We think bold



VINCE
RAILWAY ENGINEERING ANALYST



ACTIVE ENGAGEMENT

We act with integrity and we're committed to the success of our customers, stakeholders and employees. We ask questions, listen and respond to needs. We're always on the front foot and actively engaged.

- ✓ We take initiative
- ✓ We pay attention
- ✓ We respect one another



RESULTS

We deliver results. We're driven by results because they lead to progress. Determined to make rail the mode of choice for freight, we work together to achieve personal, organisational and industry-wide results.

- ✓ We set and measure goals
- ✓ We promote and recognise performance
- ✓ We focus on success

PLAN ON A PAGE



PURPOSE



VALUES



STRATEGIC OBJECTIVES



STRATEGIC ENABLERS



KEY INITIATIVES

Our key initiatives are expanded upon later in the Plan under the Strategic Objectives chapter.



PERFORMANCE MEASURES

IMPROVE AUSTRALIA'S PRODUCTIVITY BY MAKING RAIL THE MODE OF CHOICE IN THE NATIONAL LOGISTICS CHAIN

No Harm

Future thinking

Active Engagement

Results

An uncompromising commitment to safety

Exceeding our customers' expectations and promoting greater use of rail

Building Inland Rail and other projects efficiently, collaboratively and maximising the benefits to the Australian economy

Strengthening our organisational systems and capability

Providing an environment that supports our people to achieve their full potential

Respecting and creating value for our stakeholders and communities

✓ Pathway to Zero 2.0 Safety Strategy

✓ Delivery of major infrastructure

✓ Asset Management Improvement Program

✓ Safe Work Interaction Program

✓ Delivery of Digital Strategy and technology projects

✓ Procurement Transformation Project

✓ Our People Strategy

✓ Community and stakeholder engagement program

✓ Interstate Strategic Review implementation

✓ Delivering better customer and rail industry outcomes

✓ Environment Health and Safety Results

✓ Financial Performance and Productivity

✓ Customer Satisfaction

✓ Stakeholder Reputation

✓ Employee Engagement and Retention

✓ Inland Rail Delivery

✓ Network Reliability and Availability

✓ Volume Growth

KEY PERFORMANCE INDICATORS

Over the Plan period, we aim to maintain or improve our performance in accordance with, or better than, our Plan forecasts. Inland Rail specific KPIs are presented later in the Plan.

2019–20 year-end forecast¹



Access revenue

\$761.2 million

EBITDAI²

\$202.0 million



Dividend

\$23.3 million



Shareholder Equity

\$2826.5 million

- 1 Final actual results not available at time of publication
- 2 Earnings before Interest, Tax, Depreciation, Amortisation and Impairment
- 3 All Injury Frequency Rate – number for every million hours worked
- 4 Lost Time Injury Frequency Rate – number for every million hours worked
- 5 Employee satisfaction and engagement survey not undertaken in 2019–20 due to COVID-19

WE ARE COMMITTED TO THE HEALTH AND SAFETY OF OUR PEOPLE, THE ENVIRONMENT AND LOCAL COMMUNITIES IN WHICH WE OPERATE.

LACHLAN
INFRASTRUCTURE MAINTAINER



2019–20 year-end actual



AIFR³
9.64



LTIFR⁴
1.01



Customer satisfaction
6.9/10
2019 Customer Satisfaction Survey



Export coal transported
180 million tonnes



Non-coal gross tonne kilometres
(GTKS) (transported on the
Interstate network)
57 billion



Employee engagement score⁵
N/A

ARTC OPERATES IN A COMPLEX AND DYNAMIC ENVIRONMENT

To inform our current Corporate Plan, we analysed the anticipated conditions and changes in our operating environment over the coming years. This allowed us to identify potential challenges and opportunities for our business across three key areas:

- 1 Growth
- 2 Social and policy factors
- 3 Inland Rail

This year, we have also faced challenges arising from the COVID-19 outbreak and have sought to incorporate its likely future implications on the business into our analysis.

Our operating environment necessitates collaboration with various stakeholders including our customers, community, Federal and State governments and is detailed through the Plan. In line with our mandate and purpose, we also take a leadership role in advocating for policies and reforms that improve rail freight's competitiveness in the national logistics and supply chain industry. We perform this role either directly, in our own right, or through industry groups such as the Freight on Rail Group (FORG), Australian Logistics Council (ALC) and Australasian Railway Association (ARA).

1 Growth

The interstate intermodal market is heavily dependent on general economic growth, manufacturing activity and the Western Australian economy.

Australian and global economic conditions continued to soften in 2019–20, manifesting in a decline in the economic growth rate. COVID-19 exacerbated this situation and we continue to refine our strategic responses to minimise operational impacts – the full extent of which remains to be seen as the pandemic situation evolves. There remains considerable uncertainty about growth prospects for the Australian and global economies.

The intermodal and steel markets also continue to face strong competitive pressure from road and sea. Rail's reliability and dependability during the COVID-19 environment serves as a reminder of its resilience and security in enhancing the freight supply chain in Australia.

South Australian mining prospects and regional commodity exports represent emerging opportunities albeit dependent on global commodity prices.

Thermal coal remains one of our key markets. With the comparatively higher quality and low cost of Hunter Valley coal, it is likely to remain a preferred source of thermal coal for the South East Asian market where coal is forecast to remain an essential component of the region's energy security in a world of aggregate declining coal production. The demand will be met primarily through a shift in supply from the central Hunter Valley area to the Ulan and Gunnedah Basin mining areas, which drives increased gross tonne kilometres even where export tonnage remains stable.

We have not observed a material reduction in demand for coal volumes, however a slowing of the global economy as a result of COVID-19 may result in this being realised.

ATTRACTING AND
RETAINING THE SKILLS
WE NEED TO SUCCEED
IS A HIGH PRIORITY.

2 Social and policy factors

A range of social, policy and regulatory developments continues to influence our ability to increase rail's share of the national freight market in and beyond the reporting period:

- **The Australian Government is developing a national freight and supply chain strategy:**
We strongly support this initiative. As cities develop and grow, it's critical that the movement of freight is a factor in planning decisions. We encourage all levels of government to better integrate freight and urban planning to ensure land is set aside for the required facilities.
- **State governments, particularly in NSW and Victoria, are encouraging greater use of rail to move containerised freight to and from ports:**
Currently, most of this freight is transported by road, leading to major congestion in and around the ports. With the number of port container movements forecast to grow significantly over the coming decades, rail has the potential to play a bigger role in this market.
- **Community expectations are increasing:** We are strongly committed to being a good corporate citizen and will engage proactively with people along our alignments. These people have increasing expectations of ARTC, and all businesses, to be trustworthy and transparent in their dealings with them, and to be available to listen and respond to concerns. With the construction of Inland Rail, the number of communities affected by our operations will substantially increase, and our focus has been on engaging with community members and landholders. We have also developed a community engagement plan for our Hunter Valley Business Unit.



RHYS (PROJECT MANAGER ATMS)
AND ASHLEIGH (SAFETY AND
ENVIRONMENT COORDINATOR)

**BUSINESS
ENVIRONMENT**



SONIKA
BUSINESS ANALYST

- **Passenger expectations are increasing:** Two state-owned train operators provide passenger services on our interstate network (NSW Trains and V/Line). We work closely with them on initiatives to improve the timeliness, reliability and ride quality for the benefit of passengers. In Victoria, we are already working to upgrade the North East Rail Line to a higher level passenger standard. Funded by the Australian Government, this work should be completed within the plan period.

3 Inland Rail

The Australian Government has entrusted us to deliver Inland Rail. Over the next few years there will be a significant increase in transport infrastructure spending across Australia that will change the dynamics of the infrastructure market. We're working on a number of initiatives to attract and retain the right talent in what is a competitive marketplace.

Our Inland Rail program will also vastly increase our buying power when sourcing the services and materials we need for constructing, maintaining and improving the network. This will potentially help offset any availability issues that come from the changing infrastructure market. The program is also creating an opportunity for us to update our procurement systems and processes, as well as expanding our scope to support regional economies and communities through our employment and purchasing policies.



An aerial photograph of a train traveling through a rural landscape. The train consists of several orange and black locomotives pulling a long line of freight cars. The surrounding area features large, rectangular agricultural fields, some of which are green and others brown, suggesting different crops or stages of growth. There are scattered trees and a dirt road visible in the foreground. The overall scene is captured from a high angle, looking down at the train as it moves across the land.

STRATEGIC OBJECTIVES

WE WILL PURSUE THREE STRATEGIC OBJECTIVES ACROSS THE BUSINESS

Over the plan period, we will achieve our purpose by staying completely focused on three strategic objectives:

- 1 An uncompromising commitment to safety
- 2 Exceeding our customers' expectations and promoting greater use of rail
- 3 Building Inland Rail and other projects efficiently, collaboratively and maximising the benefits to the Australian economy



**1 An uncompromising
commitment to safety**

We remain fully committed to achieving our goal that no one is harmed at work or on our network.

This goal is important to the wellbeing of our people, their families, and the communities we interact with. We know a safer network is a fundamental requirement of making rail the mode of choice in the national logistics chain.

In recent years, we have put a great deal of effort into developing our safety culture and improving our safety performance, which has been driven by our Pathway to Zero safety strategy. Through the strategy, we have focused on a series of initiatives to help eliminate harm to our colleagues, customers and communities, which has been reflected in the positive safety culture we see within our teams and the reduction in the number of incidents that have occurred.

Delivering the Pathway to Zero safety strategy has helped us reduce the key lagging indicator of All Injury Frequency Rate (AIFR), and we'll continue to maximise our efforts to optimise safety audit results, employee engagement surveys and the number of Medically Treated Injuries (MTI), First Aid Injuries (FAI) and near misses.

As part of our Pathway to Zero safety strategy, we also undertook an internal and external review of the effectiveness of our safe systems of work and the effectiveness of associated controls. Following this review, we mobilised dedicated resources to develop and deliver a lasting improvement in our safe working systems and practices, and by developing a single approach – The ARTC Way – to some of the key challenges we face every day.

Our Safe Work Interaction Program (SWIP) has a primary focus on the long-term reduction in risk and improvement to safety culture and application of safe working systems on the frontline. It will provide a paradigm shift in thinking that establishes consolidated processes that are user focused and easily accessible. The program is expected to be delivered over the next three years.

The Pathway to Zero safety strategy will also be further developed to focus on further improving our culture, structures, processes and leadership capabilities, so our people are empowered to consistently identify and actively manage safety risks as part of their work every day.

In the coming three years, our stretch target is to move the safety maturity of the business from a calculative to a proactive safety culture.

In February 2020, the tragic train derailment near Wallan, Victoria, devastated us all. The incident involving a NSW Trains passenger train resulted in two worker fatalities and a number of injuries to passengers. The incident is currently under investigation by the Australian Transport Safety Bureau (ATSB), which will release its final report in the last quarter of 2021.

We continue to provide our full support to the ATSB, as well as to three other independent investigations by the Victorian Coroner, the Office of the National Rail Safety Regulator and Comcare.

**2 Exceeding our customers'
expectations and promoting greater
use of rail**

Consistently delivering on our commitments to our customers is fundamental to making rail the mode of choice in Australia's national logistics chain.

To do this, we need to be constantly improving our service offering and delivering outcomes that improve the rail industry's long-term supply chain competitiveness.

Whether they're coal producers, passenger service operators or freight rail operators, our customers' needs are largely the same: they need our track to be available when they want it, at the standard they need to deliver reliable and timely services, and at a competitive price. They need us to provide this consistently and reliably over time.

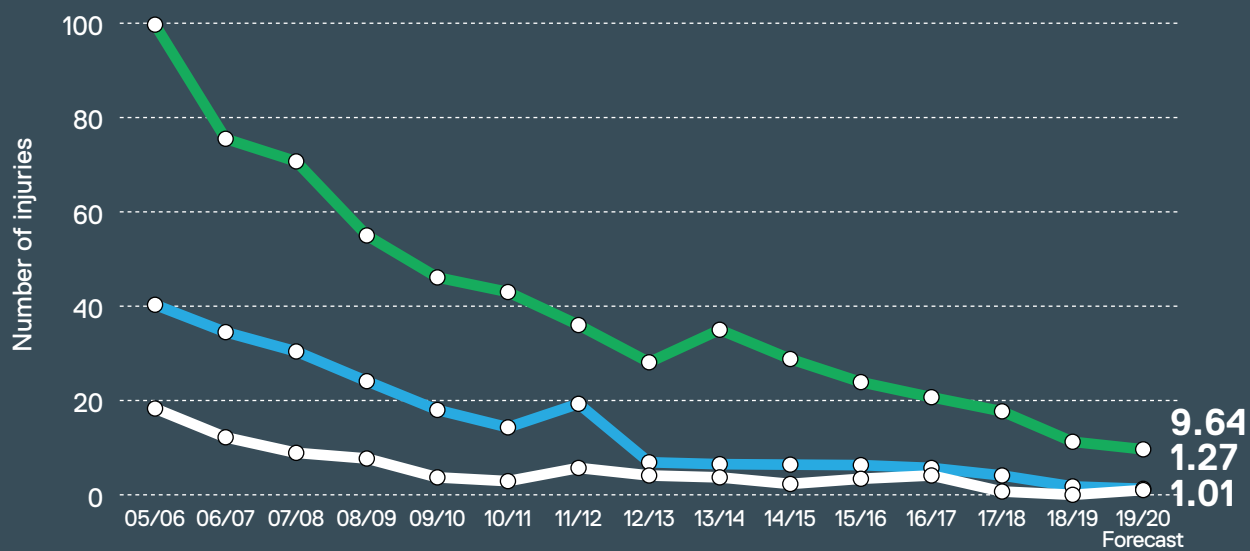
In the coming years, we will continue to build on our focus of improving our service offering and delivering value for money to our customers.



MILLY
ASSET DATA ADMINISTRATOR

COMPANY SAFETY PERFORMANCE

—INJURY FREQUENCY RATES Rolling 12 months to Date*



- LTIFR – Lost Time Injury Frequency Rate
- MTIFR – Medically Treated Injury Frequency Rate
- AIFR – All Injury Frequency Rate

* Number of injuries for every million hours worked (ARTC employees)



PIERCE
SIGNAL INSTALLER/CERTIFIER

The aim of our investment strategy is to continue to upgrade our assets to better meet or exceed our customers' needs where commercially viable for us and our customers. Investments also support the Australian Government to meet policy goals. Our investment program has been funded by a combination of grants, Shareholder equity and commercial borrowings.

Since 2004, we have undertaken a \$7.2 billion investment program to increase the quality and capacity of our network and we will continue to invest in upgrading our assets in the future. Recent examples of our network investment include:

- Completion of the 600km network upgrade between Adelaide and Tarcoola. This project was funded by the Australian Government through equity and will enable our customers to run heavier trains on this section of our Interstate network.
- Progressing the Botany Rail Line Duplication and Cabramatta Loop. Grant-funded by the Australian Government, these projects will increase the capacity of the network between Port Botany and the future Moorebank Intermodal Terminal. These projects have been assessed by Infrastructure Australia and placed on the Infrastructure Priority List as nationally significant projects.
- Continuing works on the North East Rail Line in Victoria, with the project to be completed in 2021.
- Continuing to ensure capacity in the Hunter Valley meets the contracted export and domestic volumes of our customers.

We are also optimising the performance of our assets to maximise availability, reliability and integrity through our Strategic Asset Management Plan. We have moved to a risk and condition-based approach that allows us to prioritise our maintenance efforts to the areas that need it most. Our Asset Management Improvement Program will greatly assist us by enabling more accurate data on our assets to be captured through in-field technology and allow us to better understand our asset condition into the future.

Other initiatives include:

- Installation of wayside technology, train-based instrumentation providing real-time asset data.
- Removing defective squatted rail between Goulburn and Sydney.
- Under the NERL upgrade, replacing aerial cables with underground cabling to improve signalling reliability, in particular, for passenger services.
- Lifting the efficiency of our operations by adopting advanced network and train control technologies and systems. For example, the Advanced Train Management System (ATMS), developed in collaboration with our technology partner Lockheed Martin, links train systems directly to network control centres and will supersede existing trackside signalling infrastructure. This system will vastly improve network operations by increasing capacity, operational flexibility, safety and system reliability. Stage 1 from Port Augusta to Whyalla was successfully implemented in 2020 and work has commenced for Stage 2 from Tarcoola to Kalgoorlie.

Similarly, through the use of innovative network control digital tools, the ARTC Network Control Optimisation (ANCO) initiative will make more efficient use of available track and train assets, reduce transit time and allow customers to increase their contracted tonnage. The ANCO program is deployed across our Hunter Valley network and is seamlessly integrated across supply chain operations. It is being integrated into passenger transportation at present and will be rolled out across our business over the next two years.

- Continuing to develop our service-focused culture and business capability to enhance our customers' experiences and add value to the service we provide. For example, we will focus on making innovative use of the data collected by our wayside technologies to generate information and insights that help our customers realise efficiency benefits.

Improving the rail industry's competitiveness

In line with our mandate and purpose, we are taking a leadership role in advocating for policies and reforms that improve rail freight's competitiveness in the national

logistics and supply chain industry.

Our priority is to promote outcomes that drive improved competitiveness by:

- Improving the end-to-end service offering for customers
- Raising recognition of the relative benefits of rail
- Lowering the unit cost of rail
- Improving competition and lowering barriers to entry.

We are working with the Australian Competition and Consumer Commission (ACCC) and customers to develop revised arrangements for access to our Interstate and Hunter Valley networks which improve the rail industry's competitiveness while ensuring the long-term commercial operability of the network.

We are committed to implementing operating and infrastructure strategies that maximise the efficient movement of coal through the supply chain.

Our Interstate and Hunter Valley business units are maintaining a business development strategy by engaging end-users and freight owners in long haul and regional freight supply chains. Our objective is to strengthen our industry relationships, understand the critical supply chain factors and present beneficial rail-based solutions.

Inland Rail is a critical initiative that will further improve rail's competitiveness. We do not view Inland Rail as simply a construction project. Inland Rail offers an opportunity for rail to become a far more dominant player on the eastern seaboard.

To this end, we expanded our Executive team last year and now have a dedicated Executive General Manager, who has been tasked with leading the integration process of Inland Rail with our wider operating business. This includes ensuring that all the activities required for realising the commercial and operating benefits of Inland Rail are taking place in parallel with the construction activity.

We are also providing advice to the Australian Government to support development of its terminals strategy. Ensuring intermodal terminals are developed in key regional and metropolitan centres is critical to enabling growth of rail on the Interstate network and regional connections to ports.



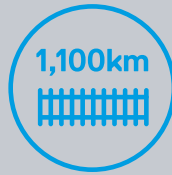


ABOUT INLAND RAIL

Inland Rail is a once-in-a-generation project that will enhance supply chains and complete the backbone of the national freight network by providing for a transit time of 24 hours or less for freight trains between Melbourne and Brisbane via regional Victoria, New South Wales and Queensland. It is the largest freight rail infrastructure project in Australia.



Up to **\$14.5 billion** in equity funding for ARTC has been committed by the Australian Government to support ARTC to deliver it



65% of Inland Rail will use existing rail infrastructure of **1,100km**



One of the tunnels to be built will be a **6.38km tunnel** through the Toowoomba Range, making it the longest diesel freight tunnel in the Southern Hemisphere



Made up of **13 different** project stages



First operational section in **2020/21**



173,764 tonnes of rail and **2,031,034** sleepers to build it

KEY BENEFITS OF INLAND RAIL



Connecting our major cities
via regional NSW, QLD and VIC

Reduced road congestion
and **expenditure**



Faster and more reliable
transit time Melbourne to Brisbane at
lower costs

Improved access
to and from
regional markets



Economic stimulator

Reduced costs
for rail operators and
their customers

INLAND RAIL PROJECT MILESTONES

| Milestone | Project Stages | Date (FY2020/21) | | | |
|---|---|------------------|----|----|----|
| | | Q1 | Q2 | Q3 | Q4 |
| Reference Design | Narromine to Narrabri (N2N) | ■ | | | |
| | Kagaru to Acacia Ridge and Bromelton (K2ARB) | ■ | | | |
| Detailed Design | Stockinbingal to Parkes (S2P) – Daroobalgie Loop | ■ | | | |
| | Stockinbingal to Parkes (S2P) – Wyndham Avenue | ■ | | | |
| Release of expression of Interest – Reference Design Refinement and Environmental | Tottenham to Albury (T2A) | ■ | | | |
| Internal Review of Environmental Impact Statement | Albury to Illabo (A2I) | ■ | | | |
| Environmental Impact Statement Submission | Gowrie to Helidon (G2H) | ■ | | | |
| | Helidon to Calvert (H2C) | ■ | | | |
| | Calvert to Kagaru (C2K) | ■ | | | |
| Release of Tender | North Star to Border (NS2B) | ■ | | | |
| | Border to Gowrie (B2G) | ■ | | | |
| Awarding of Contract | Stockinbingal to Parkes (S2P) – Wyndam Avenue | ■ | | | |
| | Narrabri to North Star (N2NS) – SP1 – Track Upgrade | ■ | | | |
| Approved Optimisation Works | Illabo to Stockinbingal (I2S) | ■ | | | |
| Commencement of Construction | Narrabri to North Star (N2NS) – SP1 | ■ | | | |
| Financial Close | Parkes to Narromine (P2N) | ■ | | | |

INLAND RAIL KPIs

| Milestone | Project Stages | Date (FY2020/21) | | | |
|----------------------------------|---|------------------|----|----|----|
| | | Q1 | Q2 | Q3 | Q4 |
| Program Delivery | N2NS Procurement – SP1 Contract Award | ■ | | | |
| | N2NS Procurement – SP2 Contract Award | ■ | ■ | ■ | ■ |
| | Close out program wide enabling procurement for steel, sleepers and turnouts | ■ | | | |
| | P2N completion and handover | ■ | ■ | | |
| | All Final Environmental Impact Statements submitted (excluding A21 and K2ARB) | ■ | ■ | ■ | ■ |
| | Updated Procurement and Delivery Framework | ■ | | | |
| Social Licence | New Inland Rail Website | ■ | | | |
| | Embed Social Responsibilities Framework | ■ | | | |
| | Inland Rail response to department on Senate Inquiry (Within 45 days of completed report) | ■ | ■ | | |
| Public Private Partnership (PPP) | Better Informed IR Engagement Communication Strategies | ■ | ■ | | |
| | Agree Procurement Approach | ■ | | | |
| | Release Request for Tender (RfT) (including PSTR) | ■ | ■ | | |
| | Submission of Final G2K Environmental Impact Statements to Coordinator General | ■ | ■ | ■ | ■ |
| | Office of the National Rail Safety Regulator Accreditation Strategy | ■ | | | |

3 Building Inland Rail and other projects efficiently, collaboratively and maximising the benefits to the Australian economy

In 2015, in association with PwC, we prepared for the Australian Government the Inland Rail 2015 Program Business Case. The business case found that an investment in Inland Rail had positive net economic benefits, recognising the long-term horizon for program delivery and inter-generational benefits realised over the life of the asset.

The business case was subsequently evaluated by Infrastructure Australia, and in May 2016, it published a positive assessment of the project concluding that the proposed solution would provide net positive benefits to the Australian economy. Following this endorsement, Inland Rail was listed as a Priority Project by the Infrastructure Australia Board.

In late 2016, the Australian Government commissioned a market testing process to consider funding and procurement options for the delivery of Inland Rail, and in May 2017 announced that ARTC would be commissioned to deliver the project in partnership with the private sector. In December 2020, the Australian Government announced increased investment to the project and is providing up to \$14.5 billion in equity funding to enable ARTC to deliver Inland Rail.

The additional investment in Inland Rail reflects enhancements in the planning and design that will deliver a stronger freight backbone with a further 4,567 culverts, 9 additional viaducts, an additional 6.8 kilometres of bridges and a further 453 kilometres of fencing. We are decreasing the number of level crossings by 139 and investing more to further safeguard against road and rail accidents.

Economy-wide modelling completed in 2020 indicates that Inland Rail will increase gross domestic product (GDP) by \$18 billion during construction and first 50 years of operation. At the peak of construction, the project is also expected to support 21,500 direct and indirect jobs.

The Australian Government has issued a public Statement of Expectations of ARTC outlining the framework for our delivery of Inland Rail.

On 17 September 2019, the Australian Senate announced an *Inquiry into the management of the Inland Rail Project by ARTC and the Commonwealth Government*, with referral to the Rural and Regional Affairs and Transport References Committee. The announcement has generated enhanced scrutiny on Inland Rail. The main themes of the Inquiry have been the route selection, community engagement, governance and the Inland Rail service offering. To date, four public hearings have been held, two in Queensland in January 2020 and virtually conducted from Canberra in August and November 2020. It is understood that further hearings will be convened but the timing and number of those is not yet known.

Over the past three years, we have made substantial progress on Inland Rail, including:

- Parkes to Narromine: Construction was completed, and the project stage commissioned in September 2020.
- Narrabri to North Star: The principal contract for the Separable Portion 1 (SP1) works has been awarded and construction commenced November 2020.
- Eight of the remaining 11 projects have progressed through Stage Gate 2 and are now working on finalisation of the design refinement, environmental submissions and procurement strategies. Three projects – Albury to Illabo, Narrabri to Narromine and Kagaru to Acacia Ridge/Bromelton – continue to work through reference design, with completion expected in mid-2021.
- The Public Private Partnership (PPP) Request for Tender for Gowrie to Kagaru was released to market in November 2020. Construction completion for the Gowrie to Helidon project of this section remains as the critical path and is anticipated to be completed in financial year 2026–27.
- Approximately 57% of the required Land Access Agreements across the whole corridor are in place; 6% of landowners have declined, while discussions for the balance remain ongoing.

- Nominations were taken for new members in the three Queensland Community Consultation Committees in early 2020, with new committees now established. Similarly, two working groups were formed in Victoria (Euroa and Benalla) to review proposed design options for bridges in detail and contribute to the consultation process.

The year ahead will be significant for the ongoing delivery of Inland Rail. All of the major projects will transition through their approvals, including public consultations, towards further construction commencing over the next two years. To that end, we remain committed to ensuring that we deliver Inland Rail efficiently and with the utmost care for people in communities along the alignment.

We have a clear strategy for completion of the project while meeting the Australian Government's expectations and optimising the benefits of the project in accordance with the Statement of Expectations. In the coming years, we will focus on five themes:

- A** Active engagement
- B** The right capabilities
- C** Value for money
- D** Customer focus
- E** Effective oversight and assurance

A Active engagement

About 65% of the Inland Rail route uses existing rail corridors. Around 600km of new corridor in regional NSW and Queensland is required to complete the alignment.

To obtain this land, negotiations with private landholders on access agreements must take place. We also know our program and method of construction will affect neighbouring landholders and communities and raise concerns.

We are working cohesively with local communities and stakeholders to set realistic expectations about our construction program. We are also committed to minimising the impact on them and their surrounding environments. Inland Rail's dedicated community and stakeholder engagement team remains focused on achieving the best outcome for both the program and affected landowners.

Open communication between Inland Rail and directly impacted landowners is a priority for us, with additional focus on this area being applied. We have five social media channels enabling more responsive engagement with the community. We've initiated several targeted social media campaigns to address misconceptions about the program and promote specific project-related work, and in the coming year we'll be expanding our proactive content to promote progress and the benefits of Inland Rail.

Another key focus is to generate opportunities for regional communities through employment, Indigenous participation, social performance and local procurement. We successfully launched the Inland Rail Skills Academy in August 2019, with the aim to increase the number of skilled local people eligible for employment on Inland Rail and associated regional industries. We also initiated the Scholarships Program to provide real world education opportunities for regional students considering an undergraduate degree at the University of Southern Queensland, Charles Sturt University and LaTrobe University in 2020 and 2021.

The Community Sponsorships and Donations Program, also launched in 2019, aims to assist community-initiated projects, events or activities with grants. These grants are one-off and short-term, contribute to the community's well-being, prosperity and/or sustainability, and focus on one or more of Inland Rail's priority areas: culture, safety, environment, recreation and entrepreneurship, and align with our core values of No Harm, Future Thinking, Active Engagement and Results.

B The right capabilities

Over the past 15 years, ARTC has successfully delivered \$7.2 billion of large-scale construction projects on our Interstate and Hunter Valley networks. This has been achieved in partnership with private sector design and construction companies, bringing together the right mix of skills for each project.

We are leveraging our established project management skills, experience and relationships to ensure we apply the right capabilities to each project component. Where necessary, we are strengthening our internal capabilities by recruiting new people from the public and private sectors. Following the introduction of a Program Management Office (PMO), developments of the approval process were mainstreamed, requiring the projects to successfully progress through Stage Gates for relevant milestones of the project.

C Value for money

We are conscious of the scale of public investment in Inland Rail, and the need for robust procurement processes and financial controls. This will ensure the goods and services purchased for the project represent value for money while also stimulating regional economic activity. A Procurement Transformation Program is already underway to guarantee a more integrated and sophisticated risk and value-driven framework for ARTC's procuring and contracting requirements.

We have also developed approaches to maximise our purchasing power. For example, where it is practical and delivers better value for money, we will purchase all sleepers, rails and culverts for Inland Rail centrally through ARTC. This is instead of purchasing through our construction partners for the 13 individual Inland Rail project stages. In addition, we are mindful of presenting opportunities for local and regional suppliers and Indigenous organisations. We will leverage these economies of scale wherever possible across the company to ultimately benefit our customers.



D Customer focus

Inland Rail needs to deliver on the needs and priorities of freight customers now and for future generations. We defined this value proposition in consultation with all of Australia's major rail freight customers, freight owners and other key stakeholders. By doing so we are ensuring it reflects the performance outcomes customers want and are prepared to pay for. The value proposition drives Inland Rail's technical specifications and capabilities, guaranteeing the project is cost efficient and provides value for money.

TO DELIVER ITS FULL BENEFITS,
INLAND RAIL MUST MATCH
THE NEEDS AND PRIORITIES OF
FREIGHT CUSTOMERS BOTH NOW
AND INTO THE FUTURE.

E Effective oversight and assurance

Due to the magnitude and complexity of Inland Rail, we recognise the need for effective internal and external governance arrangements to deliver strong oversight and assurance. We have strengthened our Board and Executive membership to ensure we have the appropriate skillset. We have also established governance arrangements that accord with public sector best-practice guidelines. We are confident we have the right internal leadership, accountability and skills to govern delivery.

The Australian Government is actively supporting ARTC in its delivery objectives. Governance arrangements have been established to reflect the importance of the project to the community. These arrangements are principally through the Project Monitoring Group (PMG), in an advisory capacity, and overseeing by the Shareholder Departments.





OUR INLAND RAIL
MONTHLY EXPENDITURE
WILL SIGNIFICANTLY
RAMP UP TO MORE
THAN \$200 MILLION PER
MONTH DURING THE PEAK
CONSTRUCTION PERIOD.

ANDREW
SIGNAL ENGINEERING MANAGER

WE WILL CONTINUE TO DEVELOP OUR PEOPLE AND ENSURE WE HAVE THE RIGHT CAPABILITIES AND SYSTEMS TO ENABLE OUR STRATEGY

We do not undertake any other material activities that are non-core. We have one subsidiary company (Standard Gauge Company Pty Ltd), which is non-operational.

We continue to strengthen our organisational systems and capability, and in the coming years remain focused on:

- 1 Providing a great place to work
- 2 Leadership and strong governance
- 3 Our procurement function
- 4 Our risk management system
- 5 Business resilience and security
- 6 An integrated pathway for systems

1 Providing a great place to work

We want ARTC to be a great place to work and a great company for customers to do business with, so investing in our people and our systems will continue to be a key priority.

To support our teams while continuing to attract new people with additional skills and competencies, we continue to develop and implement our People Strategy, which is enabling us to grow our teams and strengthen our leadership capability, while also fostering an engaging and inclusive environment to reflect our increasingly diverse workforce.

2 Leadership and strong governance

We are maintaining strong governance from the Board down to be well-positioned to deliver our Shareholder priorities. It is critical to ensure the right skill mix to support the future needs of our business and support our strategic objectives.

Accountability and Reporting

We are committed to the highest standards of professionalism and diligence in the management and operation of the company. The ARTC Board has responsibility for the performance of the company and is fully accountable to the Shareholders.

We provide comprehensive ongoing information, including the following required reports:

- A Corporate Plan on an annual basis to cover a period of a minimum four years
- Quarterly progress reports
- An Annual Report in accordance with the Corporations Act 2001
- Other reports as requested by the Shareholder.

Capital Management

Our capital structure has been developed with consideration for the capital investment program funding options and with ongoing consultation with our Shareholder.

In support of past investment, we have issued Australian dollar bonds on the Australian Domestic Market and established Syndicated Debt Facilities. Looking forward we will receive significant injections of additional equity in support of a number of projects, most notably Inland Rail. We will also be undertaking further debt raising and establishing a PPP to support our forward capital program and the Inland Rail program.

ORGANISATIONAL CAPABILITY



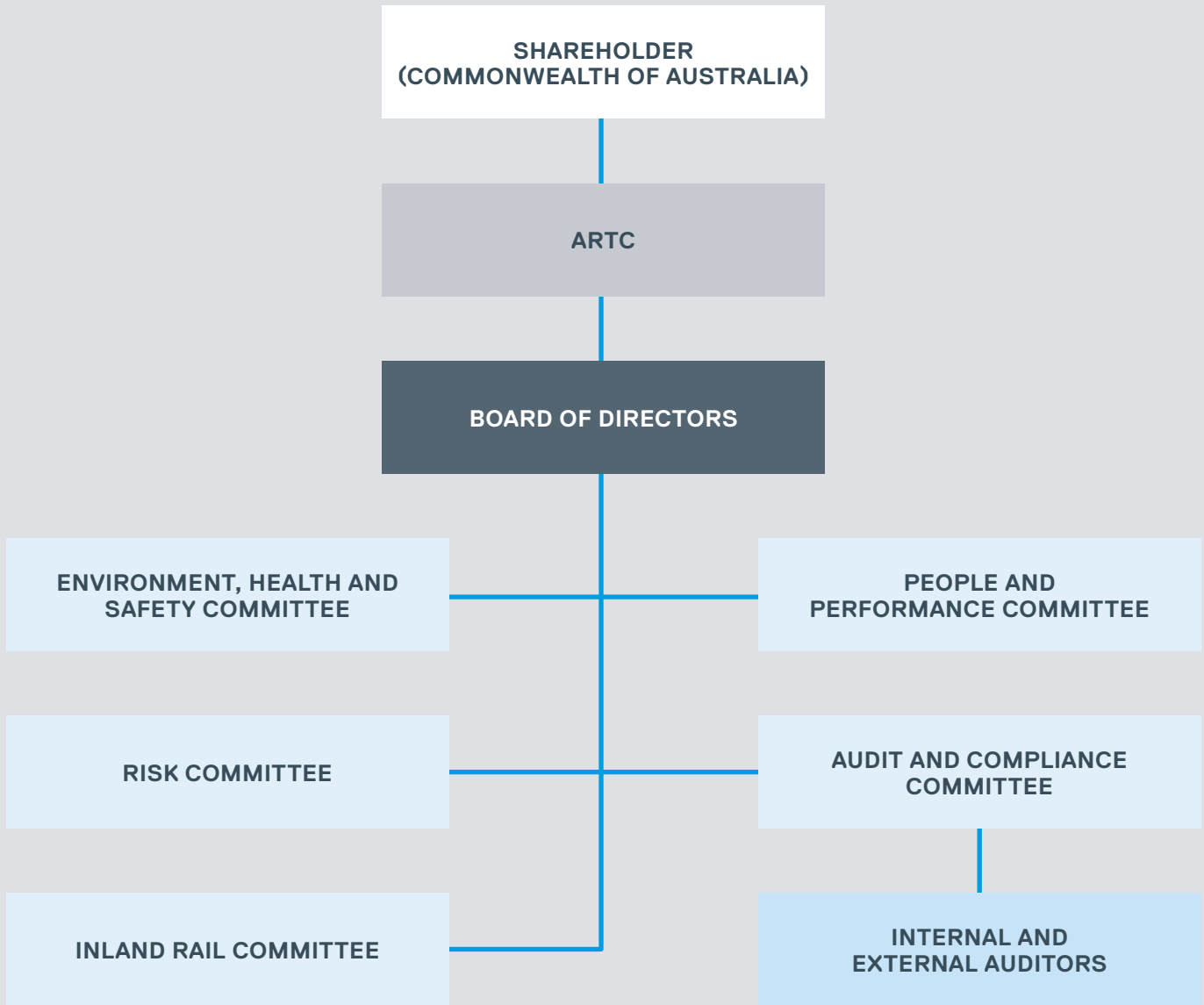
3 Our procurement function

We recognise that the procurement function is a critical enabler of our business strategy. With the construction of Inland Rail, the size, complexity and importance of this function is further escalating. A top priority is to transform our procurement function to:

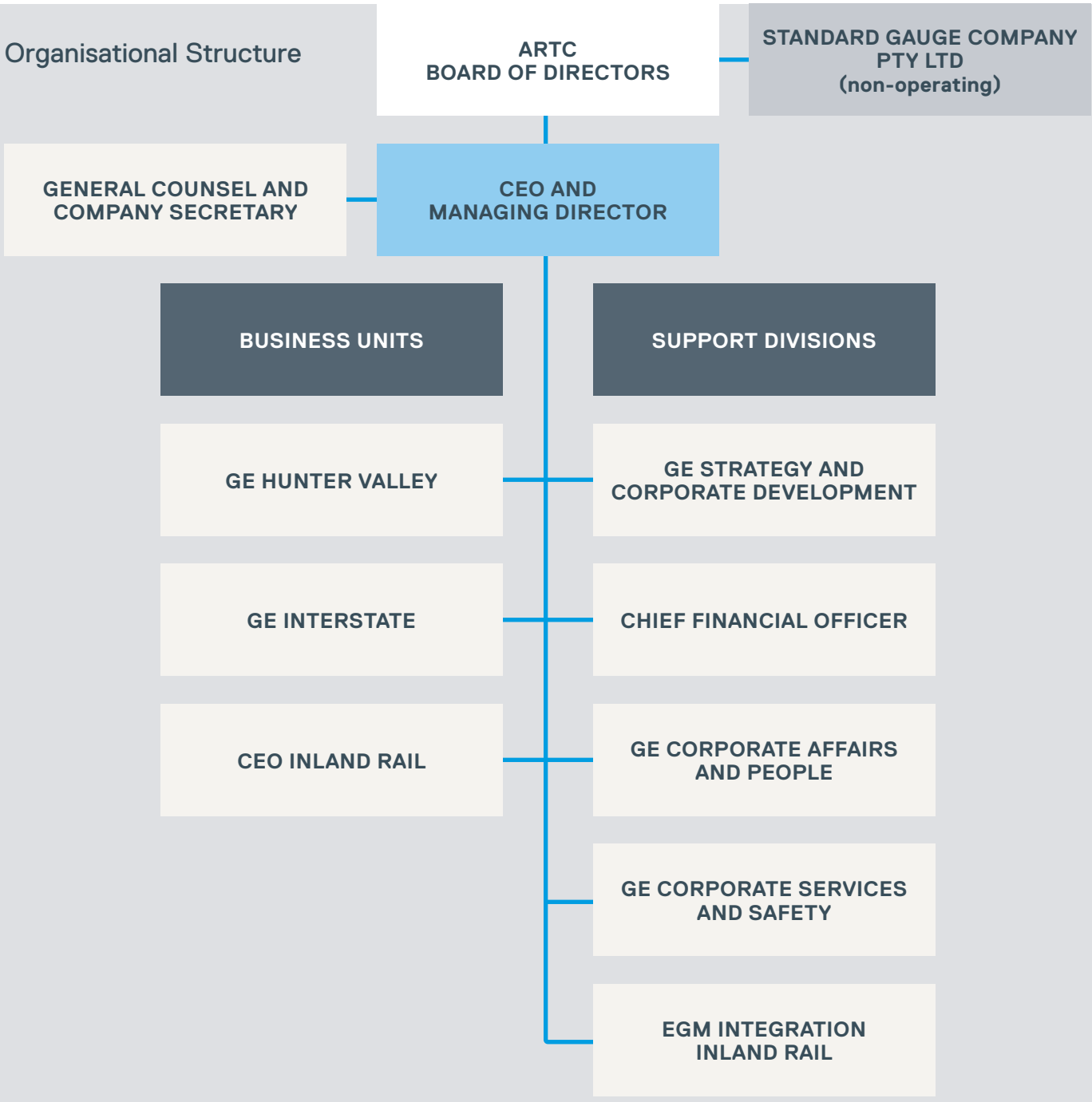
- Ensure the governance and probity of our procurement and contract management processes are consistently robust.
- Improve the cost efficiency of our services by achieving better value for money from our expenditure on third-party services and equipment.
- Satisfy regulatory requirements to demonstrate the prudence and efficiency of this expenditure.

Our Procurement Transformation Program is near the end of the second stage and we have reviewed the organisation structure and procedures to embed a more integrated and sophisticated risk and value-driven framework for all procuring, contracting, systems and supply operations.

Board Governance



ORGANISATIONAL CAPABILITY



4 Our risk management system

Risk management remains an important element of our ongoing operations, providing a near-term view of challenges that might be impacting operational and/or strategic progress, coupled with a broader medium- and longer-term picture of influences and challenges that may affect and impact our extended objectives.

In line with our Risk Management Policy, our goals for risk management are as below:

- We will manage risk to enhance safety at work and to support efficient business operations and achievement of our strategic goals.
- We aim to reduce, or eliminate where possible, the risks that impact the safety of our fellow employees, contractors, customers and members of the public, so far as is reasonably practicable.
- We will manage financial and business risks to ensure the commercial performance of the company progresses toward corporate goals and continues to foster positive and productive relationships with stakeholders and Shareholders.

Our risk management approach aligns with best practice principles and is consistent with the International Risk Management Standard ISO:31000 2018.



ORGANISATIONAL CAPABILITY

We have been recognised by industry with awards for our commitment to increasing the diversity of our workforce. Over the past twelve months, we have increased our proportion of female employees from **26% to 29%**.



5 Resilience and business security

- Our business is heavily dependent on IT systems, with a number of highly specialised rail operations systems being critical to our ability to conduct day-to-day operations. Recognising this, we are moving ahead with a broad project to increase our business resilience, continuity and disaster recovery, as well as a specific cyber security strategic plan to ensure the safety, security and integrity of our systems and data across the business.
- We aim to protect our rail network through a best-of-breed, industry-leading cyber security program, which embeds cyber risk management while enabling innovation and agility.
- The cyber security program works within a five-point framework of: identify, protect, detect, respond and recover.
- To meet our goals, we are implementing and constantly reviewing an extensive cyber security plan to improve our security posture. With good progress made in the past year, we are now targeting completion of the initiatives over the next three years.

Percentage of female employees
29%

Percentage of Indigenous employees
2.4%

2019–20 actual results



DEREK
INFRASTRUCTURE MAINTAINER

6 An integrated pathway for systems

We strongly recognise that the intelligent use of technology is a key strategy to deliver productivity and to increase our internal efficiency, effectiveness and capability.

The development of our Digital Strategy is complete, and an initial two-year implementation plan is in progress. The Digital Strategy will guide prioritisation of our technology investment and ensure that the provision of systems and technology is integrated, efficient and creates the envisaged business value. Specifically, the Digital Strategy:

- Defines our future digital vision for the next five years
- Aligns our technology investment to meet current and future business needs
- Identifies opportunities for value creation across an increasingly digitally enabled supply chain
- Plans for the impacts of large-scale operational and technology changes.

WE OPERATE IN A FAST-CHANGING DIGITAL WORLD, SO WE WILL BE REVIEWING OUR PROGRESS REGULARLY TO ENSURE WE KEEP ALIGNED TO OUR DIGITAL VISION.

